

## ANNEX 1 - THEATRE ROYAL - Valuation

Purchaser	York Conservation Trust
Sale Price	£1
Property	All that freehold land and building with vacant possession shown edged red at Annex 2
Costs	Each party to pay their own legal costs

Extracts from the Taylor York independent valuation report

### **Valuation Market Value**

**I am the opinion that the Market Value of York Theatre Royal, St Leonard's Place, York YO1 7HD, after completion of tenants works as described below and as at the valuation date, is in the region of £320,000 to £330,000 (three hundred and twenty thousand pounds to three hundred and thirty thousand pounds).**

**The value of the property without the tenants works would be subject to a reduction in the range of 15% to 25% of the valuation set out above. i.e. between £240,000 and £280,000**

Valuation Date 20<sup>th</sup> November 2014

### Location

This is a city centre location adjacent to the main retail, cultural and leisure core of York.

St Leonard's Place, which forms part of the York "inner ring road", is one of the principle "cross city" bus stop locations. Opposite the property there is a large former office building which, as plans stand at present and subject to the developer obtaining planning permission, is understood to be the subject of a conversion scheme to high quality housing.

The Environmental Agency web site shows this location not to be subject to flood risk.

## Description

The main building is of brick construction with stone facings to the St Leonard's Place elevation, under a pitched slate roof, together with the 1960's addition which is a mainly a glazed structure with a flat roof.

The Tate Wilkinson House is an integral part of the overall property being Georgian in origin and of brick construction with part stone insets, under a roof of French tiles. This has a frontage to Duncombe Place.

The property is a Grade II Listed Building

## Condition

Your specific instructions are to make an assumption in this valuation that the property is free from inherent structural defects, is in good general condition and that there are no items of major maintenance or repair required or any cause for significant expenditure in this respect, in the foreseeable future.

## Tenant's Refurbishment Works

Under the terms of the Lease, the Tenant is obliged to complete the Tenant's Works by not later than 31<sup>st</sup> March 2016.

I have not had sight of a full specification or a costed schedule of the Tenant's Works; however, under the Third Schedule of the Lease, these are described as follows:

Create an overall improved welcome to the theatre by enclosing and glazing in the colonnade at the front of the theatre, creating two new entrances at either end of the colonnade and opening up parts of the current front wall to create a new foyer area with a new café;

Increase the overall quality of the front of house facilities through a complete refurbishment of the front of house areas including all of the foyers, reception, café, bar, box office and toilets.

Re-furbish the under used stairwell on auditorium right to improve the audience flow and current audience congestion and add new audience toilets on both sides of the auditorium.

Re-furbish the back of house facilities for the food and beverage operation including the café kitchen;

Install a new lift to allow access to the dress circle seating and first floor theatre bar for audience and visitors;

Completely re-model the stalls seating with a new raked stalls floor to the edge of the dress circle and new seating in the stalls, dress circle and gallery;

Re-rake of the gallery seating to improve sightlines;

Replace the current stage with a flat, modular construction allowing for new access under stage;

Replace old and inefficient equipment including boilers, air handling units and stage lighting which will improve the theatre's energy efficiency.

### General Commentary

For the purpose of clarity, this valuation assumes that the value of the Tenant's Works will not be disregarded for the purpose of Lease renewal, that is, that the market rent at that point will take into consideration the value of those works.

### Tenure and Tenancies

This valuation assumes that the tenure of the property to be freehold and unencumbered. I have inspected a Lease dated 9<sup>th</sup> September 2014 between the Council of the City of York Council (as Landlord) and the Citizen's Theatre Trust Limited (as Tenant) (the Lease).

### Valuation Comment

No evidence is available relating to lettings of Theatres for the use as Theatres. The value of the property attributable to the current term of the Lease is calculable on a relatively straight forward formula. The value of the reversion, ie the period following the expiry of the current term from 2039, becomes more complex because, at that point, unlike the situation applicable at rent review, the rent may revert to market rent and be at a level higher **or less than** the amount then passing. This would be especially so if, hypothetically, the Theatre attendance trends cause profits to rise at a higher or fall to a lower rate than that fixed by the indexing process.

In summary, it is necessary to balance the high profile nature of the property and the relatively long unexpired term of the Lease (with the benefit of the fixed uplift rent review mechanism) against the strength, in covenant terms, of the Lessee which is questionable given its modest net profits even despite its level of net assets.

For the purpose of this valuation, it should be concluded that the amount of the rent passing under the Lease is the maximum obtainable given that any other Theatre company is unlikely to be able to generate greater profits to enable it to pay a higher rent, than the York Citizens Theatre Trust Ltd.

For this reason, it is considered reasonable and appropriate to value the present rent passing in perpetuity but at a yield to reflect the indexed rent review mechanism referred to.

Further, the rent free period, which extends until 1<sup>st</sup> April 2016, has been taken into consideration by assuming that the earliest completion date of a sale would be likely to be say February 2015 which would leave an unexpired period of approximately 13 months to the rent commencement date.

It should be reiterated that this valuation must take into consideration the terms of the Lease.

With vacant possession and making assumptions that, despite the Grade II Listed status of the property, the planning uses of the property may be wider than that of a Theatre, the valuation would be likely to be considerably greater.

For this reason it is strongly recommended that, in the event of a disposal of the property at or around this valuation, a clause should be inserted to the agreement for sale which would enable the Council to “claw back” a proportion of any uplift in value created by the purchaser selling on the property to a third party with the benefit of vacant possession.

I am subsequently instructed to comment on the value of the property in the event that the Tenant's works are not completed.

For this purpose I must assume that the market rent of the property will be reduced to reflect a reduction in revenue, and therefore profit, to the Tenant by not having the benefit of the improvements contained in the Tenant's Works.

In the absence of an appraisal to assess the market rent of the property in the absence of the Tenant's Works, it is not possible to specify the value of the property under these circumstances, save to say that such reduction would be of a significant sum perhaps in the range of 15% to 25% of the valuation set out above.